

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 898 - HB 1377**

March 25, 2017

**SUMMARY OF BILL:** Requires a local education agency (LEA) that receives less than 80 percent of the previous year's basic education program (BEP) funds based on average daily membership (ADM) to receive a minimum three percent increase until such LEA reaches 80 percent ADM-based funding.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures –**

**Exceeds \$111,300/FY18-19 and Subsequent Years/BEP**

**Increase Local Expenditures –**

**Exceeds \$16,600/FY18-19 and Subsequent Years/BEP\***

**Assumptions:**

- It is assumed that at least one LEA will meet the provisions of this legislation each year and will receive a three percent increase in BEP funding.
- Using a school district with a single school as an example, total BEP funding received by this school district was \$4,263,000 in FY16-17 that consisted of \$3,713,000 in state funding (approximately 87 percent of the total) and \$550,000 in local funding (approximately 13 percent of the total).
- Given that the example chosen for this analysis was one of the smallest districts in the state, it is reasonably assumed that most LEAs receive BEP funding greater than \$4,263,000. As a result, a three percent increase in BEP funding to any single LEA is reasonably estimated to exceed \$127,890 ( $\$4,263,000 \times 3.0\%$ ).
- Pursuant to the effective date clause, this legislation shall apply to the 2018-2019 school year and thereafter, except for the promulgating of rules, which shall take effect upon becoming law.
- The recurring increase in state BEP expenditures beginning in FY18-19 is estimated to exceed \$111,264 ( $\$127,890 \times 87.0\%$ ).
- The mandatory recurring increase in local BEP expenditures beginning in FY18-19 is estimated to exceed \$16,626 ( $\$127,890 \times 13.0\%$ ).

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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